

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL****FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

98-08
9 8 - 0 8

2. STATE: NJ

New Jersey

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

Title XIX

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 1, 1998

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 U.S.C. 1396a(a)(13), 1396r-4
42 C.F.R. 447, subpart E; 447.200

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A

pages I-261.4, I-261.5; I-264, I-264.1,
I-264.2

*** SEE REMARKS

7. FEDERAL BUDGET IMPACT:

a. FFY 1998 \$ -0-
b. FFY 1999 \$ -0-9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-A

pages I-264 to I-264.1

All the other pages are new

10. SUBJECT OF AMENDMENT:

ONE/IME add-ons; Hospital Relief Subsidy Fund-change in calculations

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED:Exempt pursuant to 7.4
of the Plan

12. SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME:

William Waldman

14. TITLE:

Commissioner

15. DATE SUBMITTED:

16. RETURN TO:

Division of Medical Assistance
and Health Services

P.O. Box 712

Trenton, New Jersey/0712 08625-0712

17. DATE RECEIVED:

11/11/97

19. EFFECTIVE DATE OF APPROVAL MATERIAL:

01/01/98

21. TYPED NAME:

Sue Kelly

23. REMARKS:

The plan material received on 5/17/97 previously submitted pages have now been
received, reviewed and approved as follows: Attachment 4.19-A pages I-262.3,
I-262.4, I-262.5, I-265, I-265.1 and I-265.2

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Instate Acute Care Inpatient Hospital Services
Disproportionate Share Hospital Adjustment**

- b) For charity care payments made in calendar years after 1998, the charity care GME add-on is calculated based on charity care's share of the teaching hospital's aggregate approved GME amount from Worksheet E-3 Part IV as reported on the most recent submitted Medicare cost report. The hospital-specific charity care share is calculated using the sum of the hospital's total charity care gross charges from the New Jersey Hospital Cost Report as reported on Forms E-5 and E-6, divided by the sum of the hospital's total gross charges from the New Jersey Hospital Cost Report as reported on Forms E-5 and E-6, after desk audit.

ii) The IME add-on shall be calculated as follows:

- a) For charity care payments made in calendar year 1998, the IME add-on is calculated based on Medicare's IME formula, at 42 C.F.R. 412.105, incorporated herein by reference. The teaching hospital's IME factor, as calculated by the Medicare IME calculation, is multiplied by the hospital-specific charity care inpatient claims priced at the Medicaid rate to arrive at the charity care IME add-on. The components of the IME formula, IME intern and resident FTEs and maintained beds, will be taken from the 1996 Medicare submitted cost report. The IME formula used is the Medicare formula approved for the 1996 Medicare submitted cost report. This charity care IME add-on shall be adjusted to exclude those charity care claims priced at the Medicaid rates prior to October 1, 1996. (Charity care claims are priced at the Medicaid rate in effect when the services are rendered.) This adjustment shall be based on the percentage of claims written off as charity care between October 1, 1995 and September 30, 1996 with dates of service prior to October 1, 1995. This adjustment is necessary because Medicaid rates prior to October 1, 1996 included an IME component.
- b) For charity care payments made in calendar years after 1998, the IME add-on is calculated based on Medicare's IME formula, at 42 C.F.R. §412.105, incorporated herein by reference. The

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teaching hospital IME factor, as calculated by the Medicare IME calculation, is multiplied by the hospital-specific charity care inpatient claims priced at the Medicaid rate to arrive at the charity care IME add-on. The components of the IME formula, IME intern and resident FTEs and maintained beds, will be taken from the most recent available Medicare submitted cost report. The IME formula used is the Medicare formula approved for the most recent available Medicare submitted cost report used for the calculation.

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
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Disproportionate Share Hospital**

6. Hospital Relief Subsidy Fund

The Commissioner of Human Services shall designate a hospital as a disproportionate share hospital (DSH) and eligible for DSH payments from the Hospital Relief Subsidy Fund (HRSF) based upon the following:

- a) For purpose of determining which acute care general hospitals are eligible for payment from the Hospital Relief Subsidy Fund, a hospital shall satisfy both of the following independent criteria:
 - i) The hospital's cases, priced at the Medicaid rate for the problem billed categories in (b) below, divided by the hospital's Total Operating Revenue, expressed as a percentage, shall be equal to or greater than the median percentage for New Jersey acute care hospitals receiving Medicaid payments. For periods in which the data source excludes Graduate Medical Education (GME) and Indirect Medical Education (IME) in the rate, the Medicaid rate shall be adjusted by hospital-specific GME and IME factors.
 - a) A hospital-specific GME factor shall be calculated based on the hospital-specific GME per discharge multiplied by the number of problem-billed cases defined in b)ii)(A)-(G), below. The hospital-specific GME per discharge shall be calculated based on the aggregate approved GME amount from Worksheet E-3 Part IV of the Medicare submitted cost report divided by the hospital-specific total hospital discharges from Worksheet S-3 Part I of the Medicare submitted cost report.
 - b) A hospital-specific IME factor is calculated based on Medicare's IME formula, at 42 C.F.R. 412.105, incorporated herein by reference. The teaching hospital's IME factor, as calculated by the Medicare IME calculation, is multiplied by the number of problem-billed cases defined in b)ii)(A)-(G), below, priced at the current available

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Medicaid inpatient rates. The components of the IME formula, IME intern and resident FTEs, and maintained beds shall be taken from the Medicare submitted cost report. The IME formula used is the Medicare formula approved for the Medicare submitted cost report used in the calculation.

- ii) The hospital's Charity Care days plus the hospital's Medicaid days, divided by the hospital's total days, expressed as a percentage, shall be equal to or greater than the median percentage for New Jersey acute care general hospitals receiving Medicaid payments.
- b) Payments from the Hospital Relief Subsidy Fund shall be based on an eligible facility's percentage of clients with receiving problem-billed services, below:
 - i) Payments from the Hospital Relief Subsidy Fund shall be calculated and distributed to eligible disproportionate share hospitals, if funds are available, using the most recent calendar year hospital expenditure data available as of October 1 of each year preceding the distribution year, in the following manner:
 - ii) The payments for admissions for the following categories are taken from the most recent hospital expenditure data maintained by the New Jersey Department of Health and Senior Services as of October 1 of each year preceding the distribution year:
 - (A) HIV (MDC24);
 - (B) Mental Health (MDC 19);
 - (C) Substance Abuse (MDC 20);
 - (D) Complex Neonates (DRG 600 through 618, 622, 623, 626, or 627);
 - (E) Tuberculosis as a major or minor diagnosis (ICD-9-CM 010.0 through 018.9);

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SUBORDINATE

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Disproportionate Share Hospital Adjustment**

- d) For the purpose of pricing charity care claims for periods in which the data sources exclude Direct Graduate Medical Education (GME) and Indirect Medical Education (IME) in the Medicaid rate, the Medicaid rate shall be adjusted by hospital-specific GME and IME add-ons. Unless otherwise specified, the hospital-specific GME and IME add-ons shall be calculated using the most recent hospital data as of October 1 of each year preceding the distribution year. These GME and IME add-ons will not be revised as a result of any subsequent settlement and/or retrospective Medicaid rate adjustment. For the purpose of pricing charity care claims under this section, unless otherwise indicated, the Medicaid rate shall be defined as the Medicaid rate in effect on the date of discharge. The add-ons shall be calculated as follows:
- i) The GME add-on shall be calculated as follows:
- a) For charity care payments made in calendar year 1998, the charity care GME add-on is calculated based on charity care's share of the teaching hospital's aggregate approved GME amount from Worksheet E-3 Part IV as reported on the 1996 submitted Medicare cost report. The hospital-specific charity care share is calculated using the sum of the hospital's total charity care gross charges from the New Jersey Hospital Cost Report as reported on Forms E-5 and E-6, divided by the sum of the hospital's total gross charges from the New Jersey Hospital Cost Report as reported on Forms E-5 and E-6, after desk audit. This charity care GME add-on shall be adjusted to exclude those charity care claims priced at the Medicaid rates prior to October 1, 1996. This adjustment shall be based on the percentage of claims written off as charity care between October 1, 1995 and September 30, 1996 with dates of service prior to October 1, 1995. This adjustment is necessary because Medicaid rates prior to October 1, 1996 included a GME component.

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